

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 NEA-10 ISO-00 EB-08 XMB-02 CAB-02
CIAE-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00
L-03 TRSE-00 OPIC-03 AID-05 IGA-02 MCE-00 /068 W
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P R 241230Z FEB 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 818
INFO AMEMBASSY ATHENS
AMEMBASSY BRUSSELS
AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY PARIS
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COMMERCE FOR COHEN, HALE, MYERS; EXIMBANK; FAA FOR CARY AND
CARMICHAEL; BRUSSELS FOR FAA FROM RCAA DWOR

E.O. 11652 N/A
TAGS: EAIR, ETRD, BEXP, LE
SUBJ: MIDDLE EAST AIRLINES (MEA) FLEET EXPANSION AND LINES OF
DEVELOPMENT

REF: (A) ROME 19700 (1977), (B) BEIRUT 5725 (1977)

1. SUMMARY: SERIES OF RECENT VISITS RCAA DWOR AND ECON
OFFICER TOMPKINS WITH MEA EXECUTIVE STAFF, INCLUDING
CHARIMAN ASAD NASR, SENIOR VICE PRESIDENT AND ADVISOR
TO CHAIRMAN GEORGE CARAYAN, ASSISTANT VICE PRESIDENT
CORPORATE AND FLEET PANNING MONOSOUR BARDWIL, AND
ASSISTANT VICE PRESIDENT ENGINEERING AIRCRAFT EVALUA-
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TION ALEX MAHAS INDICATE THAT THE LEBANESE AIR CARRIER
WILL PROBABLY PLACE ORDERS DURING 1978 FOR TWO TO FOUR NEW
WIDEBODIED AIRCRAFT VALUED AT \$120 - \$140 MIKLLION FOR DE-
LIVERIES 1980 AND 1981, THAT FRNT-RUNNER APPEARS TO BE THE
BOEING 747-200SL COMBI, THAT PROFITABILITY FOR 1977 TOTALED
18,764,000 LEBANESE POUNDS (\$6,360,678 US), WITH A CON-
SERVATIVE FORECAST OF 21,350,000 LEBANESE POUNDS (\$7,237,288)

NET PROFIT FOR 1978. END OF SUMMARY

2. FLEET EXPANSION: CHAIRMAN ASAD NASR IN MEETING
FEBRUARY 17 INDICATES FOLLOWING:

A. REVISED AND SCALED-DOWN MEA FLEET PLAN (SEE REFTELS)
PROVIDES FOR 2000 ADDITIONAL (TRAFFIC GROWTH) AIRCRAFT
SEATS TO BE ACQUIRED DURING FIVE-YEAR PERIOD JAN 1, 1980
TO DEC. 31 1984, IN INCREMENTS OF 400 SEATS PER YEAR.
THIS PLAN WAS SUBMITTED TO AIRLINE'S BOARD OF DIRECTORS
JANUARY 27, FOR PERUSAL, WITH INDIVIDUAL BOARD MEMBER COM-
MENTS, IF ANY, DURING NEXT BOARD MEETING FEBRUARY 24. WASR
DOES NOT ANTICIPATE ANY BOARD OBJECTIONS TO FLEET PLAN, NOR
IS FORMAL BOARD APPROVAL OF FLEET PLAN IN FACT REQUIRED.
B. FLEET PLAN DOES NOT PRESENTLY COVER BOEING 720-023B/
047B REPLACEMENT AIRCRAFT REQUIREMENT, WHICH APPEARS
TO INDICATE AIRLINES MAY KEEP NARROWBODIED FLEET (FOUR
720-047B, TWELVE 720-023B, THREE 707-320C) INTACT UNTIL
END OF 1984. HOWEVER, FLEET PLAN WILL BE FINE-TUNED AN-
NUALLY AND REPLACEMENT REQUIREMENT WOULD BE PHASED IN EARLIER
IF PASSENGER DISENCHANTMENT AND/OR COMPETITIVE AIRLINE
WIDEBODIED SERVICES UNDULY THREATEN MEA MARKET SHARE. TO
ENHANCE PASSENGER-APPEAL SEVEN USED BOEING 720-047B'S
FROM WESTER AIR LINES AT APPROXIMATELY \$7 MILLION.
THESE AIRCRAFT, ALREADY EQUIPPED WITH WIDEBODIED-LOOK
INTERIORS, WOULD REPLACE SEVEN BOEING 720-023B'S IN PRE-
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SENT MEA FLEET (WHICH WOULD BE RESOLD) AND AND GIVE LEBANESE
PASSENGER CARRIER NARROW BODIED FLEET NINE WIDEBODIED-LOOK
INTERIOR 720-047B'S (INCLUDING ONE DELIVERED SEPT. 1977
AND ONE ON ORDER FOR DELIVERY MARCH OR APRIL 1978). RE-
MAINTAINING TWO 720-047B'S 720-023B'S AND THREE 707-320C'S
WOULD THEN PROGRESSIVELY RECEIVE NEW WIDEBODIED-LOOK
INTERIORS (AT COST OF APPROXIMATELY \$250,000 - \$300,000
PER AIRCRAFT).

C. CHAIRMAN NASR INDICATES EXTENSION IN-SERVICE DATES
NARROWBODIED BOEING FLEET TO 1984 WILL BUY TIME FOR MEA TO
AWAIT AVAILABILITY ADVANCED-TECHNOLOGY, MEDIUM RANGE WIDE-
BODIED 200-SEAT AIRCRAFT IN CATEGORY BOEING NEW AIRPLANE
PROGRAM, LOCKHEED-CALIFORNIA L-1011-400/400A. MCDONNELL
DOUGLAS DC-X-200, OR AIRBUS INDUSTRIE A-300B10X.

D. MEA SENIOR EXECUTIVES, INCLUDING NASR, ANTICIPATE
INVITATIONS TO AIRCRAFT MANUFACTURERS TO SUBMIT PROPOSALS
(REPS) SHOULD BE ISSUED BY AIRLINE THIS SPRING TO FILL
REQUIREMENT FOR TRAFFIC GROWTH WIDEBODIED AIRCRAFT TO
MEET LEBANESE CARRIER'S CAPACITY REQUIREMENTS FOR 1980
AND 1981. PROBABLE ORDER WILL BE PLACED LATE SUMMER OR
EARLY AUTUMN 1978 FOR ONE OF THE FOLLOWING SCENARIOS:

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TOTAL REQUIREMENT
BY DEC. 1978
VALUE

TWO BOEING 747-200SL COMBIS \$120 MILLION EIGHT (INCLUD-
ING THREE IN FLEET,
BUT PRESENTLY LEASED-
OUT)

THREE LOCKHEED-CALIF. L-1011 \$130 MILLION SEVEN

THREE MCDONNELL DOUGLAS DC-10 \$130 MILLION SEVEN

FOUR AIRBUS INDUSTRIE A-300 SUPER B4

\$130 MILLION TEN
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E. PROBABLE ORDER FOR 747-200SL COMBIS APPEARS TO BE FRONT-RUNNING (PARTICULARLY IN OPINION OF CHAIRMAN NASR), ALTHOUGH STRONGLY CONTESTED BY A-300 SUPER B4. ORDER FOR 747'S ALSO APPEARS DEPENDENT UPON LONG-TERM PROSPECTS FOR TRAFFIC RIGHTS FOR 400-SEAT AIRCRAFT AT POINTS ADDITIONAL TO LONDON, PARIS, CAIRO, AND ARABIAN GULF (I.E. KUWAIT, JIDDA, DHARAN, ATHENS, NEW YORK, ROME).

F. EASTERN AIRLINES VISITED MEA EARLIER THIS MONTH WITH OFFER TO SELL, DRYLEASE, OR WETLEASE SIX OF US CARRIER'S LOCKHEED-CALIFORNIA L-1011-1'S (INCLUDING TWO STILL ON PRODUCTION LINE AT PALMDALE AND SCHEDULED FOR DELIVERY LATE 1978). NASR STUDYING EASTERN PROPOSAL BUT DOES NOT APPEAR HIGHLY RESPONSIVE. EASTERN'S OFFERING PRICES RANGE FROM \$22 - \$27 MILLION PER AIRCRAFT.

3. FINANCIAL RESULTS 1977 AND FORECAST 1978 (IN LEBANESE POUNDS):

	FORECAST 1978	1977	PERCENT CHANGE
REVENUES	562,242,000	467,557,000	PLUS 20.3
EXPENSES	540,892,000	448,793,000	PLUS 20.5
NET PROFIT	21,350,000	18,764,000	PLUS 13.8

4. WIDEBODIED DEPLOYMENT SUMMER 1978

COMMENCING MAY 1978, MEA WILL PLACE INTO SCHEDULE SERVICE ONE BOEING 747-200 SL (CURRENTLY ON DRYLEASE TO AIR FRANCE/AIR BAGDAD) ON FOLLOWING PATTERN:

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BEIRUT-LONDON TWO ROUNDTRIPS WEEKLY

BEIRUT-PARIS ONE ROUNDTRIP WEEKLY

BEIRUT-GULF FOUR ROUNDTRIPS WEEKLY

COMMENCING JUNE 1979, MEA WILL DEPLOY ON SCHEDULED SERVICES THREE BOEING 747-200SL'S INCLUDING TWO PRESENTLY ON WETLEASE TO SAUDIA) ON FOLLOWING PATTERN:

BEIRUT-LONDON SEVEN ROUNDTRIPS WEEKLY

BEIRUT-PARIS THREE ROUNDTRIPS WEEKLY

BEIRUT-GULF TEN TO TWELVE ROUNDTrips
WEEKLYGARDNER

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